

WINNEBAGO COUNTY, WISCONSIN

Management's Discussion and Analysis

December 31, 2020

As management of Winnebago County, Wisconsin, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of Winnebago County, Wisconsin for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-11 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$332,488,862 (*net position*). Of this amount, \$96,847,048 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$17,918,848, or 5.7%. Several factors contributed to the overall increase as follows:

Description	Amount
Long term debt repaid and long term debt issued are reflected on the fund financial statements as revenues and expenses. They are not revenues or expenses in the statement of net assets.	
Long term debt repaid.	\$ 7,889,146
Long term debt issued.	(8,900,000)
Capital asset acquisitions are reported as expenditures in governmental funds however they are not expensed in the statement of activities. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital acquisitions recorded in governmental funds, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	11,557,516
Net book value of capital asset disposals is an expense in the statement of activities,	(622,195)
Depreciation of capital assets is an expense in the statement of activities, yet there is no tax or other revenue to offset this expense because it is not a cash outflow. The effect of this is a reduction of net position.	(6,088,835)
Human Services revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the fund statement. This is the amount by which revenue at the end of year (\$364,830) was lower than revenue at the beginning of the year (\$377,398).	(12,568)
The net revenues for certain activities of internal service funds are reported with governmental activities. This is the amount by which the increase in net position (\$1,917,091) increased by the amount allocated to business-type activities (\$307,355).	1,609,736
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net pension liabilities (assets) at the end of year (\$3,483,124) is lower than deferred expenditures and net pension liabilities (assets) at the beginning of the year (\$3,785,364).	(302,239)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net WRS Life liabilities (assets) at the end of year (\$2,355,189) is higher than deferred expenditures and net WRS Life liabilities (assets) at the beginning of the year (\$2,088,663).	(266,526)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred outflows and net OPEB liabilities (assets) at the end of year (\$4,845,879) is lower than deferred outflows and net OPEB liabilities (assets) at the beginning of the year (\$4,857,030).	11,151
Revenues that are currently not available are deferred in the fund statements. This is the amount by which deferred revenue at the end of year (\$2,566,600) is lower than deferred revenue at the beginning of the year (\$2,961,551).	(394,951)
Governmental funds surplus generated during 2020 represents an increase in net position on the statement of net position.	12,348,194
Proprietary funds surplus generated during 2020 represents an increase in net position on the statement of net position.	1,298,571
Governmental funds do not recognize expenses that do not require the use of current financial resources. These are generally long-term liabilities. The statement of activities does include these expenses.	(208,152)
Total increase / (decrease) in overall net position	<u>\$ 17,918,848</u>

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- As of the close of the current year, the County's governmental activities reported combined ending net position of \$215,916,908. Approximately 23.3% of this total amount, \$50,286,597, is available for spending at the County's discretion (*unrestricted net position*).
- At the end of the current year, unassigned fund balance for the general fund was \$43,524,459, or 41.3% of total general fund and special revenue fund expenditures.
- The County's total general-obligation debt increased by \$3,002,020, or 8.5%, during the current year. There were no refinancing transactions done during 2020.
- There were new general obligation notes of \$11,500,000 issued on November 10, 2020 to finance capital projects including the Winnebago County courthouse window replacements and elevator upgrades, Parks dump truck and front-end loader, UWO-Fox Cities child care center and parking lot reconstruction, Airport terminal replacement, aviation park taxiway, and highway road resurfacing and reconstruction projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is designed to be an introduction to the Winnebago County, Wisconsin's basic financial statements. The County's basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide statements are made up of the statement of net position and the statement of activities.

The statement of net position presents information on all of the County's assets, liabilities and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This means, some revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave and unused sick leave that is paid out upon termination or retirement).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities (those supported by taxes and intergovernmental revenues) of the County include general government; public safety; health and human services; culture, education, and recreation; and conservation and development. The business-type activities (those supported by user fees) of the County include an airport, a solid waste facility, a nursing home, and a highway operation.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate component unit known as the Housing Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 38-40 of this report.

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Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements; however, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison may help readers better understand the long-term impact of a government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and human services fund, both of which are considered major funds. Data from the other two funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found elsewhere in this report.

The County adopts annual appropriation budgets for all of its governmental type funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 41-46 of this report.

Proprietary funds: The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County maintains enterprise funds for its airport, solid waste facility, nursing home, and highway operations. Internal service funds are used to accumulate and allocate costs internally among various functions. The County uses internal service funds to account for its general services operations and its self-funded insurance for worker's compensation, property and liability, and health and dental insurance. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 47-52 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used in fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 53-54 of this report.

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Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55-113 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding budget to actual data. Required supplementary information can be found on pages 114-125 of this report.

The combining statements referred to in connection with non-major governmental funds; individual enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 126-199 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As discussed earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by \$332,488,862 at the close of 2020.

Winnebago County's Net Position

(Amounts Expressed in \$1,000's)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 164,996	\$ 140,935	\$ 75,190	\$ 69,785	\$ 240,186	\$ 210,721
Capital assets	187,702	182,855	68,071	68,497	255,772	251,352
<i>Total assets</i>	<u>352,697</u>	<u>323,790</u>	<u>143,261</u>	<u>138,282</u>	<u>495,958</u>	<u>462,072</u>
<i>Deferred outflows of resources:</i>						
Deferred outflow related to pensions	23,461	29,556	6,602	8,706	30,064	38,262
Deferred outflow related to WRS life	1,247	248	515	109	1,762	357
Deferred outflow related to OPEB	688	340	252	166	940	506
<i>Total deferred outflows of resources</i>	<u>25,397</u>	<u>30,144</u>	<u>7,369</u>	<u>8,981</u>	<u>32,766</u>	<u>39,125</u>
Total assets and deferred outflows of resources	<u>\$ 378,094</u>	<u>\$ 353,935</u>	<u>\$ 150,630</u>	<u>\$ 147,263</u>	<u>\$ 528,724</u>	<u>\$ 501,197</u>
Liabilities						
Long-term liabilities outstanding	33,941	45,312	20,721	23,002	54,662	68,314
Current liabilities	26,188	24,050	4,310	4,174	30,498	28,224
<i>Total liabilities</i>	<u>60,129</u>	<u>69,361</u>	<u>25,030</u>	<u>27,176</u>	<u>85,159</u>	<u>96,538</u>
<i>Deferred inflows of resources:</i>						
Deferred inflow related to pensions	29,992	14,933	8,428	4,411	38,421	19,344
Deferred inflow related to WRS life	484	494	200	217	684	711
Deferred inflow related to OPEB	1,359	625	400	185	1,759	810
Deferred property tax revenue	70,213	69,225	-	-	70,213	69,225
<i>Total deferred inflows of resources</i>	<u>102,048</u>	<u>85,277</u>	<u>9,028</u>	<u>4,813</u>	<u>111,076</u>	<u>90,090</u>
Net position						
Net investment in capital assets	151,994	148,406	66,049	66,920	218,043	215,326
Restricted	14,669	5,870	3,962	831	18,631	6,701
Unrestricted	49,254	45,021	46,561	47,522	95,815	92,543
<i>Total net position</i>	<u>\$ 215,917</u>	<u>\$ 199,297</u>	<u>\$ 116,572</u>	<u>\$ 115,273</u>	<u>\$ 332,489</u>	<u>\$ 314,570</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 378,094</u>	<u>\$ 353,935</u>	<u>\$ 150,630</u>	<u>\$ 147,263</u>	<u>\$ 528,725</u>	<u>\$ 501,197</u>

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By far, the largest portion of the County's net position, 65.5%, reflects its investment in capital assets (E.g., land, buildings, improvements, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, 5.6%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$96,814,328, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities: Governmental activities increased the County's net position by \$16,620,277. Key elements of the increase are as follows:

Winnebago County's Changes in Net Position

(Amounts Expressed in \$1,000)

	Governmental Activities		Business-type Activities		Total	Total
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 11,870	\$ 12,129	\$ 39,513	\$ 40,636	\$ 51,383	\$ 52,765
Operating grants and contributions	33,080	27,454	1,855	16	34,935	27,470
Capital grants and contributions	-	-	202	-	202	-
General revenues:					-	-
Property taxes	69,585	68,280	-	-	69,585	68,280
Other taxes	1,425	1,374	-	-	1,425	1,374
Grants and contributions not restricted to specific programs	12,448	11,521	2,641	2,901	15,089	14,422
Gain on sale of capital assets	81	-	3	-	-	-
Unrestricted investment earnings	3,793	4,082	1,584	1,669	5,376	5,751
Miscellaneous	343	427	114	363	458	790
Total revenues	132,624	125,267	45,913	45,585	178,453	170,852
Expenses:						
General Government	20,322	20,531	-	-	20,322	20,531
Public Safety	31,128	34,058	-	-	31,128	34,058
Public Works	4,226	4,089	-	-	4,226	4,089
Health and Human Services	51,044	53,527	-	-	51,044	53,527
Culture, Education, and Recreation	3,205	3,530	-	-	3,205	3,530
Conservation and Development	3,943	4,053	-	-	3,943	4,053
Interest on Long Term Debt	473	803	-	-	473	803
Airport	-	-	2,949	3,411	2,949	3,411
Solid Waste Management	-	-	9,117	8,319	9,117	8,319
Park View	-	-	18,141	19,042	18,141	19,042
Highway	-	-	16,070	16,858	16,070	16,858
Total expenses	114,341	120,591	46,278	47,630	160,619	168,221
Increase (decrease) in net position before transfers and special item	18,283	4,676	(364)	(2,045)	17,919	2,631
Transfers	(1,663)	(4,752)	1,663	4,752	-	-
Increase (decrease) in net position	16,620	(76)	1,299	2,707	17,919	2,631
Net position - Beginning of Year	199,297	199,373	115,273	112,566	314,570	311,939
Net position - End of Year	\$ 215,917	\$ 199,297	\$ 116,572	\$ 115,273	\$ 332,489	\$ 314,570

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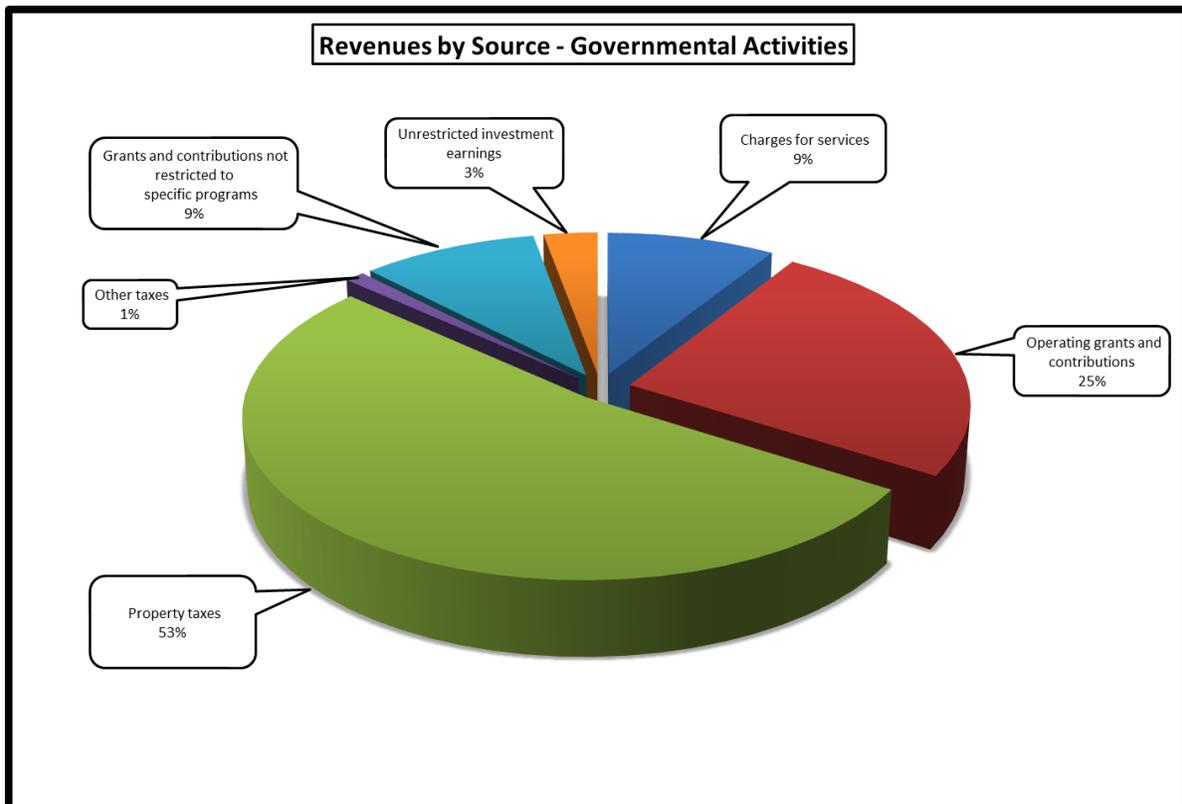
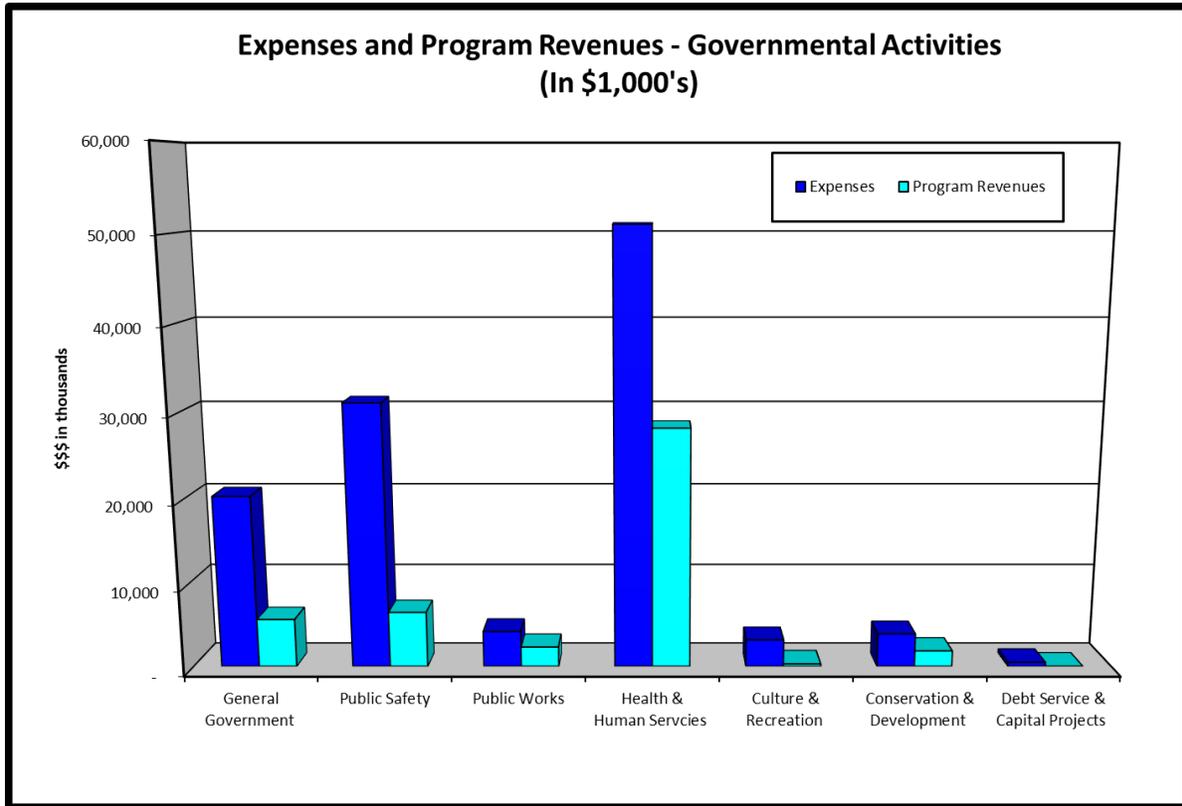
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Description	Amount
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Long term debt repaid.	\$ 7,889,146
Long term debt issued.	(8,900,000)
Capital asset acquisitions are reported as expenditures in governmental funds however they are not expensed in the statement of activities. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital acquisitions recorded in governmental funds, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	11,866,774
Net book value of capital asset disposals is an expense in the statement of activities,	(931,453)
Depreciation of capital assets is an expense in the statement of activities, yet there is no tax or other revenue to offset this expense because it is not a cash outflow. The effect of this is a reduction of net position.	(6,088,835)
Human Services revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the fund statement. This is the amount by which revenue at the end of year (\$364,830) was lower than revenue at the beginning of the year (\$377,398).	(12,568)
The net revenues for certain activities of internal service funds are reported with governmental activities. This is the amount by which the increase in net position (\$1,917,091) increased by the amount allocated to business-type activities (\$307,355).	1,609,736
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net pension liabilities (assets) at the end of year (\$3,483,124) is lower than deferred expenditures and net pension liabilities (assets) at the beginning of the year (\$3,785,364).	(302,239)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net WRS Life liabilities (assets) at the end of year (\$2,355,189) is higher than deferred expenditures and net WRS Life liabilities (assets) at the beginning of the year (\$2,088,663).	(266,526)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred outflows and net OPEB liabilities (assets) at the end of year (\$4,845,879) is lower than deferred outflows and net OPEB liabilities (assets) at the beginning of the year (\$4,857,030).	11,151
Revenues that are currently not available are deferred in the fund statements. This is the amount by which deferred revenue at the end of year (\$2,566,600) is lower than deferred revenue at the beginning of the year (\$2,961,551).	(394,951)
Proprietary funds surplus generated during 2020 represents an increase in net position on the statement of net position.	12,348,194
Governmental funds do not recognize expenses that do not require the use of current financial resources. These are generally long-term liabilities. The statement of activities does include these expenses.	(208,152)
Total increase / (decrease) in governmental activities net position	\$ 16,620,277

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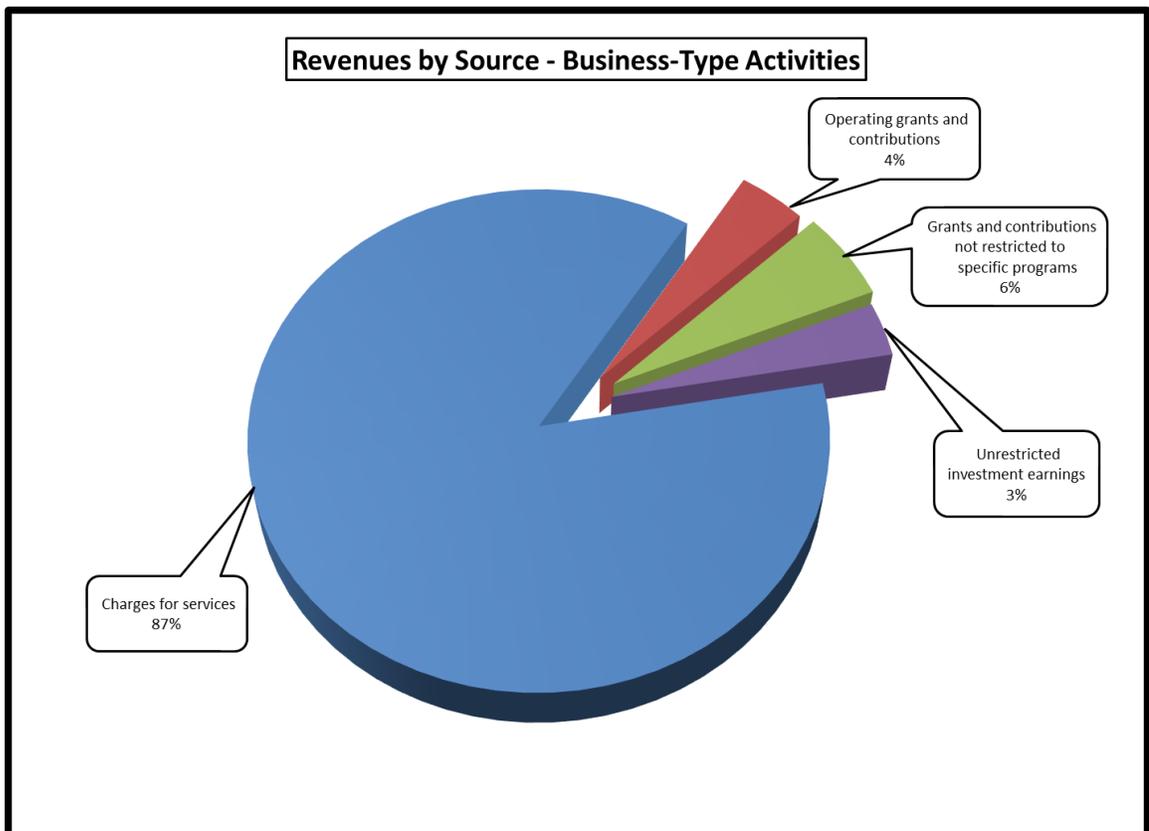
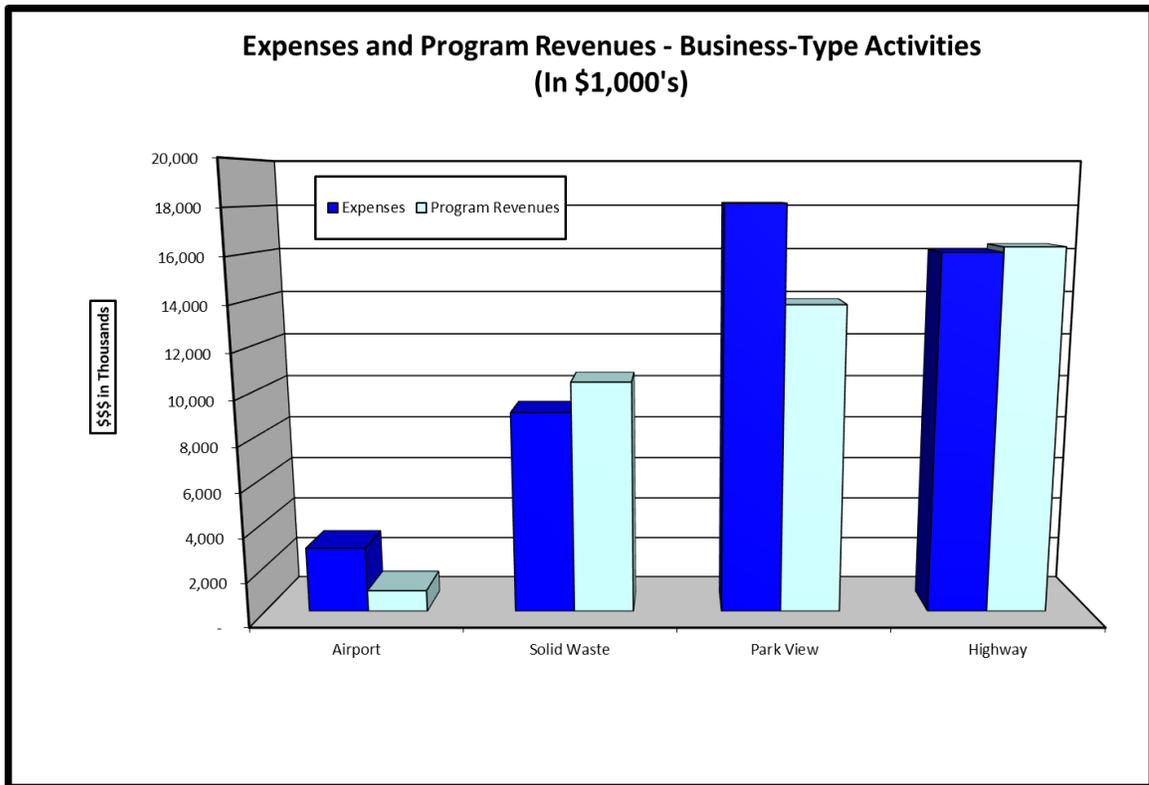
Business-type activities: Business-type activities increased the County's net position by \$1,298,571. Key elements of this increase are as follows:

- The Airport Fund's net position decreased by \$1,103,219. A deficit of \$1,543,193 was budgeted for the year, creating a favorable difference of approximately \$440,000. Expenses were related to the cancelation of the Experimental Aircraft Association (EAA) Airventure due to COVID-19. Depreciation was lower this year by \$184,000 because several assets have been fully depreciated.
- The Solid Waste Fund's net position increased by \$2,880,061. A surplus of \$861,017 was budgeted for the year, creating a favorable difference of approximately \$2,019,000. Operating revenues exceeded budget by \$886,141, mostly from the tipping fees coming in over budget. Investment income and mark to market on investments came in \$674,801 higher than anticipated. Rates were at their peak in 2019 which generated excess interest income due to the laddering of investments. There were also adjustments made for the Sunnyview Landfill and Sludge long-term liability accounts, which were favorable on the expenditure side.
- Park View Health Center's net position decreased by \$1,039,746. A deficit of \$403,000 was budgeted for the year, creating an unfavorable variance of \$636,746. Revenues came in higher than expected with operating revenues exceeding budget by \$390,417. The revenue surplus was offset by the savings of almost \$757,624 in labor and fringes from vacancies, turnover and benefit elections. Other operating expenses were under budget by \$219,062 for expenses directly related to the lower census created by the COVID-19 pandemic.
- The Highway Department's net position increased by \$254,120. A surplus of \$362,815 was budgeted for the year, creating a favorable variance of \$108,695. The majority of this difference was due to additional work done for the state, county and local towns/municipalities, which resulted in economies of scale allowing the highway department to operate its equipment below the state established equipment rates – yielding revenues in excess of expenditures.
- The remaining amount of the change in net position \$307,355 is the amount of internal service funds activity that is reflected in the enterprise funds.

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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As indicated earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus on the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. Note how unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2020, the County's governmental funds reported combined ending fund balances of \$63,710,528, an increase of \$12,348,194 in comparison with the prior year. Approximately 67.3% of this total - \$42,902,303 - constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

- 1) Non-liquid delinquent property taxes and special assessments: \$3,750,441,
- 2) Prepayments that benefit periods beyond the end of the current year: \$385,622,
- 3) Non-liquid industrial development loans receivable: \$135,547,
- 4) Unspent bond proceeds: \$1,740,577,
- 5) For other restricted purposes: \$260,945,
- 6) To pay debt service: \$3,452,223,
- 7) For prior year commitments: \$1,000,608,
- 8) Assigned to special projects, economic development, subsequent year's expenditures and prior years appropriations: \$10,082,262.

General Fund: The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$43,524,459, while total fund balance is \$57,642,997. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to expenditures. Unassigned fund balance represents 70.4% of total general fund expenditures, while total fund balance represents 75.5% of that same amount. The fund balance of the county's general fund increased by \$12,094,772 during the current fiscal year. This represents an increase of 26.6%. Reasons for the net increase in fund balance are as follows:

The human services fund needed \$5.4 million less of tax levy than was budgeted. As a result, these funds remained in the General Fund at the end of the year. This accounts for a large part of the change to the general fund balance.

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Some departments spending was significantly under in 2020 helping to contribute to the surplus:

- Facilities - \$1,065,446 under budget. Labor costs were under budget by \$294,066 primarily due to having the assistant director position vacant for six months and four custodial crew positions vacant for most of the year. Other operating expenditures including building, equipment and grounds maintenance, building repairs, professional services, and snow removal were considerably under budget by \$727,139. In some cases, projects were not completed by the end of the year and were carried over to 2021. Utilities came in \$222,000 under budget due to milder weather reduced staffing due to COVID and energy efficiency improvements. Contracted services were under budget by \$199,000 due to deferred projects and more favorable bids due to COVID.
- Miscellaneous Unclassified - \$1,662,372 under budget. The majority of the surplus resulted from the CARES Routes to Recovery grant. The County was reimbursed approximately \$1,150,000 for already budgeted wages for public safety, health and human services employees that responded to the COVID pandemic.
- Sheriff - \$2,660,866 under budget. Labor costs were under budget by \$1,598,803. Of this amount wages were approximately \$1,080,000 under budget due to National Guard activation of six agency members and special events being canceled because of COVID-19. This in turn resulted in fringes coming in \$518,000 lower than anticipated fringe benefit rates. Capital outlay was under by \$310,476 due to a budget carryover to fiscal year 2021 for the purchase of a marine unit and other items from the ALERT grants. Other operating expenditures were under budget \$737,763 from telephone, uniform tools allowance, professional supplies, vehicle repairs, equipment repairs, professional services, food service and other contract services. Some explanations are as follows: due to COVID-19 special events were cancelled and there were reduced calls for service which resulted in a savings of approximately \$77,000 throughout many of the operating accounts. In addition, motor fuel was under budget by almost \$94,000 because the average price per gallon came in at \$1.71 versus the \$2.95 budgeted. The average daily prisoner (ADP) rate was lower than expected which resulted in approximately \$119,000 of savings for food service and professional services. Roughly \$330,700 of the overall savings came from other contracted services due to a renegotiation of the county-wide subscriber radio contract.
- Courts - \$480,419 under budget. Labor costs were under budget by \$161,501 due to several positions being open and hard to fill and courts did not need bailiffs due to COVID-19. Capital outlay was under budget by \$29,833 because work was cut short and items were not able to be installed. Other operating expenditures were under budget by \$275,672 mostly due to fewer appointed attorneys and fewer doctors needed for ME (mental commitment) cases.
- Public Health - \$2,174,670 under budget. Labor costs were under budget by \$821,321. The health department was reimbursed from the CARES Routes to Recovery grant for approximately \$500,000 for already budgeted wages and fringe for public health employees that responded to the COVID pandemic, the remainder was due to position vacancies. Other operating expenditures were under budget by \$1,284,829. An additional \$1,200,000 was received for COVID relief, thus reducing other operating expenditures due to the reassignment to COVID and suspension of other direct services.
- Parks - \$658,631 under budget. Labor costs were under budget due to events not taking place throughout the year due to COVID-19. Capital outlay was under budget by \$345,980 due to the Asylum Point bridge and Neenah dog park projects that were carried over to 2021. Other operating expenditures were under budget by \$223,402 from less events taking place at the Expo Center due to COVID-19.

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Human Services (Special Revenue) Fund: The Human Services Fund has a total fund balance of \$902,990. Of this amount, \$75,770 (or 8.4%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$827,220 represents assigned fund balance. Of this, \$800,000 was due to less tax levy needed than was budgeted, however, transferring this at year-end would have put Human Services into a negative cash position, so this amount will be transferred to the general fund in 2021. Total fund balance of the Human Services Fund increased by \$798,988 from the prior year.

Winnebago County's practice is to maintain a minimal fund balance in the Human Services Fund because of its need for tax levy support. As a result, the tax levy that is not needed is left in the General Fund at the end of the year, unless it would create a negative cash position for Human Services.

Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for these funds can be seen in the following table.

	<u>Airport</u>	<u>Solid Waste</u>	<u>Park View</u>	<u>Highway</u>
Unrestricted Net Position - 2019	\$ 2,908,266	\$ 29,014,016	\$ 10,737,823	\$ 2,510,193
Unrestricted Net Position - 2020	2,664,518	32,267,007	7,779,625	1,601,385
Total Growth(Decline) in Unrestricted Net Position	\$ (243,748)	\$ 3,252,991	\$ (2,958,198)	\$ (908,808)

The Airport Fund's unrestricted net position decreased by \$243,748. There was a net deficit of \$1,103,219 for 2020. In 2019 \$2,000,000 was transferred from the general fund to help fund the new general aviation terminal, this created a difference in year over year transfer-ins from the general fund. In addition, the Wisconsin Retirement System (WRS) was over 100% funded in 2020, which created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position, which was \$86,888. In 2019 WRS was under funded, which created a net pension liability, and restricted \$0 of the net position for pensions.

The Solid Waste Fund's unrestricted net position increased by \$3,252,991. There was a net surplus of 2,880,061 for 2020. The majority of this excess was due to the tipping fees coming in over budget.

Park View Health Center's unrestricted net position decreased by \$2,958,198. There was a net deficit of \$1,039,746 for 2020. The other reason for this decrease is that the Wisconsin Retirement System (WRS) was over 100% funded in 2020, which created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position, which was \$1,792,022. In 2019 WRS was under funded, which created a net pension liability, and restricted \$0 of the net position for pensions.

The Highway Department's unrestricted net position decreased by \$908,808. There was a net income of \$254,120 for 2020. The main reason for this decrease is that the Wisconsin Retirement System (WRS) was over 100% funded in 2020, which created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position, which was \$774,667. In 2019 WRS was under funded, which created a net pension liability, and restricted \$0 of the net position for pensions.

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GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget amounted to a net increase in appropriations of approximately \$1,440,590 and can be briefly summarized as follows:

- \$1,357,381 carryovers of prior year appropriations
- \$25,000 for roof repairs at the UWO-Fox Cities campus
- \$24,410 for the Grundman Park / Osh-O-Nee boat landing master plan
- \$21,919 revenue adjustment for the UWO-Fox Cities campus
- \$150,000 for Information Systems to perform fiber work for County Highway A
- \$(94,282) transfer to the capital projects fund for the Sheriff's Office NextGen 911 project.

Revenues versus the budgetary estimates – explanation:

During this year, revenues were under budget by \$805,627. This represents a variance of .8% from budget. A few items to note are as follows:

- Tax revenues were over budget by \$540,631. Interest on delinquent property taxes was up by \$83,557 due to delinquencies being paid. Also, property taxes were up \$328,867 because of the new property tax aid the County receives through the levy. Lastly, real estate transfer tax was up \$128,812 over budget due to more real estate transaction.
- Intergovernmental revenues were under budget by \$1,630,543. The majority of this was due to Public Health coming in under budget by \$1,330,171. The main reason for this variance is because of grants. These are reimbursement grants, and the County does not receive the money until the expense is incurred. Some projects were not done in 2020 due to the COVID-19 pandemic, and were carried over to 2021.
- Charges for services provided to public revenues were under budget by \$769,383. The Sheriff's Office was under budget by \$652,408, reasons for this miss is due to special events being cancelled and the Huber program being suspended due to COVID-19, The Parks department was under budget by \$281,641 due to events being cancelled at the Exposition center due to the COVID-19 pandemic. To off-set some of these losses, the Register of Deeds came in \$197,125 over budget due to the boom in real estate transactions in 2020.
- Investment income was over budget by \$1,147,189. Higher interest rates obtained in the stronger market in previous years accounted for the majority of this overage. The investments are laddered for 6 years, and are maturing at a higher than anticipated rate of return.

Expenditures versus the budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$11,772,623. Some of the main reasons include:

General Government – \$3,503,233 under budget

Information Systems – \$424,367 under budget: Labor costs are under budget by \$57,845 due to multiple staff changes and taking time to fill the vacancies. Capital outlay was under by \$167,739 due to the carryover of the

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County Highway A fiber project into 2021. Other operating expenditures are under by \$166,201 because many information systems expenses were reimbursed by COVID-19 CARES grant monies.

Facilities – \$1,065,446 under budget: Labor costs were under budget by \$294,066 primarily due to having the assistant director position vacant for six months and four custodial crew positions vacant for most of the year. Other operating expenditures including building, equipment and grounds maintenance, building repairs, professional services, and snow removal were considerably under budget by \$727,139. In some cases, projects were not completed by the end of the year and were carried over to 2021. Utilities came in \$222,000 under budget due to milder weather reduced staffing due to COVID and energy efficiency improvements. Contracted services were under budget by \$199,000 due to deferred projects and more favorable bids due to COVID-19.

Miscellaneous Unclassified – \$1,662,372 under budget: Other Operating expenditures are under by \$1,561,650. The majority of the surplus resulted from the CARES Routes to Recovery grant. The County was reimbursed approximately \$1,150,000 for already budgeted wages for public safety and human services employees that responded to the COVID-19 pandemic.

Public Safety - \$3,458,894 under budget

Sheriff – \$2,660,866 under budget: Labor costs were under budget by \$1,598,803. Of this amount wages were approximately \$1,080,000 under budget due to National Guard activation of six agency members and special events being canceled because of COVID-19. This in turn resulted in fringes coming in \$518,000 lower than anticipated fringe benefit rates. Capital outlay was under by \$310,476 due to a budget carryover to fiscal year 2021 for the purchase of a marine unit and other items from the ALERT grants. Other operating expenditures were under budget \$737,763 from telephone, uniform tools allowance, professional supplies, vehicle repairs, equipment repairs, professional services, food service and other contract services. Some explanations are as follows: due to COVID-19 special events were cancelled and there were reduced calls for service which resulted in a savings of approximately \$77,000 throughout many of the operating accounts. In addition, motor fuel was under budget by almost \$94,000 because the average price per gallon came in at \$1.71 versus the \$2.95 budgeted. The average daily prisoner (ADP) rate was lower than expected which resulted in approximately \$119,000 of savings for food service and professional services. Roughly \$330,700 of the overall savings came from other contracted services due to a renegotiation of the county-wide subscriber radio contract.

Courts – \$480,419 under budget: Labor costs were under budget by \$161,501 due to several positions being open and hard to fill due and courts did not need bailiffs to COVID-19. Capital outlay was under budget by \$29,833 because work was cut short and items were not able to be installed. Other operating expenditures were under budget by \$275,672 mostly due to few appointed attorneys and few doctors needed for ME (mental commitment) cases.

District Attorney – \$177,156 under budget: Labor costs were down by \$106,913 because court cases were limited in 2020 due to COVID-19. Other operating expenditures were under budget by \$61,808 due to carryover of grants into 2021.

Public Works – \$505,979 under budget

This area consists of county road maintenance, which accounts for all of the variance. Maintenance expenditures were lower primarily because they were offset by an increase in work load resulting from capital projects, project and maintenance requests from the Wisconsin Department of Transportation, and local governments. As workload increases for the department, resources are re-directed to provide requested services to customers and completing capital projects. Maintenance work completed was prioritized to focus on needs that are at an elevated level of importance and lower priority maintenance activities were postponed to be completed later. However, \$379,311 of this amount was carried forward to the 2021 budget.

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Health & Human Services - \$2,513,732 under budget

Public Health – \$2,174,670 under budget: Labor costs were under budget by \$821,321. The health department was reimbursed from the CARES Routes to Recovery grant for approximately \$500,000 for already budgeted wages and fringe for public health employees that responded to the COVID pandemic, the remainder was due to position vacancies. Other operating expenditures were under budget by \$1,284,829. An additional \$1,200,000 was received for COVID relief, thus reducing other operating expenditures due to the reassignment to COVID and suspension of other direct services.

Veterans – \$104,178 under budget: Labor costs were under budget by \$48,244 due to employee turnover and retirements. Other operating expenditures were under by \$47,502. Cemetery expenses were down this year, because the department has been working with the cemeteries the last couple years to correct the perpetual care fees being charged to the County. In addition, veteran's relief assistance was down due to other sources of funding becoming available due to the COVID-19 pandemic.

Child Support – \$234,884 under budget: Labor costs were under budget by \$192,274 due to vacancies in the department caused by retirements and other turnover.

Culture, Education and Recreation - \$1,031,505 under budget

Parks Department - \$658,631 under budget: The largest area was capital outlay, which was under budget by \$345,980 because of budget carryovers to 2021 for the Asylum bridge reconstruction and the northern dog park. The other cause was due to other operating expenditures being under by \$223,402 due to less events taking place at the Expo Center due to COVID-19.

University Extension – \$109,665 under budget: Other operating expenditures were down by \$79,478 due to less programs being held in 2020 due to the COVID-19 shut down. In addition, travel expenses came in under budget by \$22,885 because most meetings went virtual throughout 2020 due to the COVID-19 pandemic.

Conservation and Development - \$759,280 under budget

Land and Water Conservation – \$466,798 under budget: Other operating expenditures are under budget by \$424,753. This is due to approximately \$265,052 being carried over to the 2021 budget. In addition, there were larger grants not yet received that expenditures were budgeted for.

Register of Deeds, Planning, Economic Development, Land Records and Property Lister consist of small variances that accounted for the remaining amounts under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The County's investment in capital assets for its governmental and business type activities as of December 31, 2020 amounts to \$255,774,256 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the government's investment in capital assets for the current fiscal year was \$4,422,673, or 1.8%, which is a 2.7% increase for governmental activities and a 0.6% decrease for business-type activities. Major capital asset events during the current fiscal year included the following:

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Governmental Activities:

The total change in capital assets for the governmental activities was an increase of \$4,846,485.

Major assets placed in service during 2020:

- The Facilities department constructed and furnished a new CBRF (Community Based Residential Facility) Crisis Center for Human Services in the amount of \$3,644,544.
- The Facilities department constructed a modular home for \$172,253 to house Section 980 sex offenders, installed a new roof on the Coughlin building for \$134,724 and improved the Human Services parking lot for \$149,812.
- UWO-Fox Cities campus performed HVAC systems repairs, storage building repairs and the south parking lot repair in a total amount of \$142,303.
- The Parks department purchased three new vehicles for \$122,410, purchased a new loader for \$146,850, a new dump truck with plow and attachments for \$213,124, a floor scrubber for \$5,133 and the soccer complex lighting for \$179,970.
- Emergency Management purchased a mobile command post vehicle for \$448,287.
- Information Systems purchased a vehicle for \$22,960 and servers for \$83,950.
- The Sheriff's office purchased ten fleet vehicles for \$438,107, purchased sanitizing robots and systems for \$96,069, radios, and cameras and SWAT equipment for \$91,580.
- Infrastructure increased by \$4,618,448 for paving of roads.

Major assets retired during 2020:

- There were no major dispositions during the year, except for the removal of replaced road infrastructure \$705,692.
- Total dispositions were approximately \$966,432 consisting of old vehicles. Most of these vehicles were fully depreciated and at the end of their useful lives.

Other changes to capital assets:

- Many of the assets placed in service during 2020 were from construction in process from prior years. Thus, the increase to the capital asset has a partial decrease to construction in process. They offset each other so don't effect the total change to capital assets.
- The change in accumulated depreciation during the year would usually reduce total capital assets as it is part of total capital assets above.

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Business Type Activities:

The total change in capital assets (net of depreciation) for the business type activities was a net decrease of approximately \$423,811.

Major assets placed in service during 2020:

- The Solid Waste Department purchased a loader for \$254,386, replaced engine #2 for \$801,528, upgraded the SCADA system for \$119,450 and purchased the Snell Rd recloser for \$218,271.
- Park View health care center purchased two full body lifts with scales for \$7,015, two bariatric sit-to-stand lifts for \$10,476, two disinfection robots for \$80,586 and a combination oven / steamer for \$14,600.
- The Highway Department annually replaces road maintenance vehicles, construction and snow plowing vehicles and other road maintenance equipment costing around \$1 million per year as part of an equipment rotation program. Approximately \$1 million of old vehicles are traded in or sold.

Other changes to capital assets:

- Many of the assets placed in service during 2020 were from construction in process from prior years. This results in a shift from construction in process to a capital asset category such as buildings, equipment, improvements and other. The result is that there may not be a large overall changes to capital assets in total.
- The change in accumulated depreciation during the year would usually reduce total capital assets as it is part of total capital assets.

Winnebago County's Capital Assets (net of accumulated depreciation) (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 4,243	\$ 4,243	\$ 9,833	\$ 9,833	\$ 14,076	\$ 14,076
Buildings	46,502	44,077	27,308	28,359	73,810	72,436
Improvements other than buildings	13,432	13,472	11,492	12,315	24,924	25,787
Machinery, equipment and vehicles	13,952	14,707	11,922	11,632	25,874	26,339
Infrastructure	101,795	97,934	-	-	101,795	97,934
Construction in progress	7,778	8,422	7,516	6,358	15,294	14,780
Total	\$ 187,702	\$ 182,855	\$ 68,071	\$ 68,497	\$ 255,773	\$ 251,352

Additional information on the County's capital assets can be found in the footnotes on pages 79-81 of this report.

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Long-term debt: At the end of the current fiscal year, the County had total bonded debt outstanding of \$38,174,048 backed by the full faith and credit of the County.

Winnebago County's Outstanding Debt						
General Obligation Debt						
(Amounts Expressed in \$1,000's)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation notes	\$ 33,945	\$ 32,934	\$ 3,755	\$ 1,666	\$ 37,700	\$ 34,600
General obligation notes - Other entities	474	572	-	-	474	572
Total	\$ 34,419	\$ 33,506	\$ 3,755	\$ 1,666	\$ 38,174	\$ 35,172

The County's total general-obligation debt increased by \$3,002,020, or 8.5%, during the current year. There was a new borrowing during 2020 totaling \$11,500,000. The notes were issued to finance the following projects:

Project	Proceeds
Highway road resurface and reconstruction	\$ 5,353,805
Highway Parking Lot Phase 1	350,000
UWO-Fox Cities Child Care Center	267,300
UWO-Fox Cities South Parking Lot	167,600
Parks Front End Loader	146,850
Parks Dump Truck	5,171
Airport Terminal Replacement	1,800,000
Aviation Park Taxiway	450,000
Courthouse Window Replacement	1,898,470
Courthouse Elevator Upgrades	1,030,425
Debt issue costs	30,379
Total 2020 Bonding	\$ 11,500,000

Winnebago County maintains an Aa1 rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the County is \$744,661,325, which is significantly in excess of its outstanding general obligation debt of \$38,174,048. The County has a debt service fund balance of \$3,452,223.

Additional information on the County's long-term debt can be found in the footnotes on pages 83-86 of this report.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- At the end of 2020 the US unemployment rate was 6.7%, Wisconsin's rate was 4% and Winnebago County's rate was 5.4%. These rates are higher than last year due to the shut-down for the COVID-19 pandemic.
- Winnebago County continues to be a very affordable area to live with median home prices at \$167,000 compared to the Wisconsin median price of \$214,000 and US average of \$268,000.
- Home sales in Winnebago County increased slightly from 2,326 in 2019 to 2,353 in 2020.
- The labor force in Winnebago County remains stable at around 91,236 persons.
- Non-farm employment decreased to 94,000 jobs, versus 97,900 in 2019.
- Areas with the highest concentration of jobs are in manufacturing, trade, transportation and utilities, professional and business services, education and health care, and government.
- Growth in net new construction has remained slow at around 1.455% which limits increases in spending.

These factors were considered in preparing the County's budget for the 2021 fiscal year.

In 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Winnebago County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes Winnebago County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing. These events were considered in preparing the County's budget for the 2021 fiscal year.

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Section 66.0602 Local Levy Limits:

1. Except as provided in subs. (3), (4), and (5), no political subdivision may increase its levy in any year by a percentage that exceeds the political subdivision's valuation factor. The valuation factor is equal to the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year.
2. Debt service continues to be exempt from the levy limit freeze for all debt issued prior to July 1, 2005. Debt issued after July 1, 2005 will also be exempt if certain conditions are met. One of those is that the governing body can approve the bond issue by a $\frac{3}{4}$ vote. Winnebago County has used this provision to exceed rate limits in the past and will likely continue to do so.
3. Penalties will be imposed upon any governing body that exceeds these levy limits.

The County may also exceed the limitation by holding a referendum (according to state statutes) authorizing the County Board to approve higher rates. The County may also exceed the rates if it increases the services it provides through a transfer of these services from another governmental unit.

The debt service tax rate limit was frozen at \$0.31. The debt service rate that was adopted with the 2019 budget is \$0.67. We have been able to exceed the limit by using the 2nd exception listed below:

Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- Approval by the County Board by a vote of $\frac{3}{4}$ ths of the full board.
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

The 2019 tax levy and rate are within the limitations contained in state laws.

Requests for Information

This financial report is designed to provide a general overview of Winnebago County, Wisconsin's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 112 Otter Avenue, P.O. Box 2808, Oshkosh, WI 54903-2808.